

Internal Revenue Service

Department of the Treasury

District
Director

Date: MAY 21 1964

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under Section 501(c)(4) of the Internal Revenue Code of 1954.

The information submitted indicates you were organized in [REDACTED]. Your purpose is to oversee the operation of the condominium community, collect assessments for common expenses and arrange for management of the condominium. Your membership consists of individuals who purchase a condominium unit at [REDACTED]. Your activities will include arranging for the maintenance of the common condominium areas by contracting for services such as snow removal, lawn mowing, and trash removal.

Your income will consist entirely of equal monthly assessments from members for the aforementioned services, and your funds will be expended exclusively for maintenance services. Any excess income will be set aside as a reserve fund for future maintenance such as roof repair or driveway resurfacing, or will be refunded to unit owners equally, at the discretion of the governing directors.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 501(c)(4)-1(a)(2) of the Income tax Regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. To qualify for exemption as a homeowners association under Section 501(c)(4) of the Internal Revenue Code, the association must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental; it must not conduct activities directed to the exterior maintenance of private residences; and the common areas or facilities it owns and maintains must be for the use and enjoyment of the general public.

(2)

The concept of social welfare implies a service or program directed at benefitting the community rather than a private group of individuals.

Your organization operates essentially for the private economic benefit and convenience of the property owners by providing a service that your members would otherwise have to provide for themselves and increases the value of the individual property owner's condominium unit. Thus, it is not primarily engaged in activities for the common good and general welfare of the common good and general welfare of the people of the community. Accordingly, you do not qualify for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

It appears that your organization may elect to file under section 528 to receive certain tax benefits which, in effect, permit the exclusion of exempt function income from gross income. The election to file under section 528 is to be made by filing Form 1120-H, U.S. Income Tax Return for Homeowners Associations. However, if you do not elect to file under 528, you are required to file Federal income tax returns on Form 1120.

If you are in agreement with our findings, please sign, date and return one copy of the enclosed Form 6018.

If you do not agree with the determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

Sincerely yours,



District Director

Enclosure: 6018(2)
Publication 892